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Venezuela—the United States Best Cash Customer in Latin America

Asia and the World Rice Market

Foreign Agricultural Service
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Mechanization is just one step towards agricultural improvement in Venezuela. How the country's farm development has affected U.S. exports is discussed beginning this page.

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Venezuela— Best Latin American

Outlook for U.S. agricultural sales to this country in the coming years is good—despite its intensive program of import replacement and resultant restrictions on some products.

By ROBERT S. FITZSIMMONDS
U.S. Agricultural Attaché, Caracas

In the 1957-to-1968 period Venezuela's gross agricultural product increased almost 78 percent in real terms—from the equivalent of US$322,222,000 to $572,000,000.

These statistics sum up a story of Venezuelan agricultural progress that has been developing since 1957. At about that time an awareness of the need to improve the agricultural sector and the lot of rural people grew in government circles to the point that many programs to bring about such improvement were initiated. Before 1957 agriculture had for years been almost completely neglected as the country was preoccupied with petroleum affairs.

Such a great degree of agricultural development in a country historically an important market for U.S. farm products would be expected to affect U.S. sales in that country. However, because of the approach Venezuelan government officials have taken, the effect has largely been one of increased selectivity of imports.

U.S. sales of agricultural products to Venezuela have, with minor variations, held an upward trend fairly constantly—$80.1 million on the average between 1955-59 compared with $90.0 million in 1967. In 1968, Venezuela continued to be the most important Latin American cash market for U.S. products, taking $90.8 million.

Like many other Latin American countries, Venezuela has pursued a program of import replacement, concentrating on commodities that the country can produce economically. By and large, the government has accepted the position that imports of certain products that cannot be produced in Venezuela will continue to be necessary.

Thus protectionist actions have been restricted to commodities produced in Venezuela. For example, Venezuela is now self-sufficient in tobacco, and real obstacles have been put in the way of leaf tobacco and cigarette imports—except for Turkish tobacco needed for blending. Wheat, on the other hand, cannot be economically produced in Venezuela; duties on it have been reduced to about 11 cents per metric ton, and a preferential exchange rate has been established for wheat imports.

For trade policy treatment purposes Venezuela has separated agricultural commodities into the following three categories:

• Products formerly imported that have been or will be

Cash Customer for U.S. Farm Products

replaced by domestic production of these or similar crops. Chief commodities in this group are potatoes, sesameseed, eggs, chickens, feed wheat, and fresh grapes. Imports of these products are or will be severely restricted through high duties, licensing restrictions, or both.

- Commodities now produced domestically in surplus quantities for which export markets must be developed. These include rice, sugar, cacao, plantains, pineapple, watermelon, and tropical fruits. Programs are being developed to foster exports of these products; imports of these or competing products are severely restricted.
- Commodities for which proper production conditions do not exist in Venezuela of which imports will be expanded without significant restrictions as population and demand grow. Chief commodities in this group are fresh and processed deciduous fruits, wheat, dry peas and lentils, rice seed, and seed potatoes. Breeding cattle, both dairy and beef, are also in short supply because of the needs of the National Livestock Program in upgrading the quality of Venezuelan herds. The demand for imports will continue to remain strong, and the United States should continue as the chief supplier.

The United States now holds the bulk of the Venezuelan market for a number of major commodities. Briefed below is the outlook for future sales of these commodities. In general, the outlook is good, but the markets will be more selective than in the past and U.S. exporters will have to be more cognizant of their requirements and service them better.

Wheat

Wheat is Venezuela's leading import commodity, and the United States has over 80 percent of the total market. From

Left, U.S. black beans unloaded at a Venezuelan port; imports of this main ingredient of a national dish will continue. On the other hand, Venezuela is now self-sufficient in sesame, shown above, and produces sugar, below, in large enough quantities for export.

1964 to 1967 Venezuelan wheat imports rose more than 30 percent, to $48.1 million. During this same period the U.S. share of the market increased every year to a high of 86 percent in calendar year 1968. The market for bread wheats is expected to grow as population and demand increase.

One of the most quality-conscious markets in the world, Venezuela buys wheat of specified minimum protein content—mainly high-protein spring wheat. U.S. sales are expected to continue to hold a strong position in this market.

The outlook for durum wheat, for pasta production, is also bright. The pasta market in Venezuela is growing fast, and the rate of increase for U.S. durum sales may be somewhat more rapid than for bread wheats.

On the other hand, import demand for feed wheat—the United States now has 100 percent of the market—will trend downward in the near future. Imports of all wheat are now being subsidized by a preferential rate of exchange. However, the Government of Venezuela is actively promoting the production of corn and sorghum to replace imports of feed types. It is anticipated that the subsidy for these types will be removed in the near future. Because gains in production of these replacement grains have been slow there will not be a sudden stop in imports of feed wheats even if the subsidy is removed. However, removal of the subsidy will provide added impetus to the production of corn and sorghum, and a gradual replacement may be expected.

Vegetable oils

Venezuela currently imports about $5 million worth of cottonseed oil annually and (in 1967) over $3 million worth of other vegetable oils. The United States supplied all of the cottonseed oil in 1967 and about 30 percent of the other oils.

Promotion of the production of oil-bearing crops has been active in Venezuela for several years. The country is now more than self-sufficient in sesame production; the salad oil sold at retail is almost exclusively sesameseed oil or corn oil. Imported oil is cheaper and is used mostly in processing, such as fish canning and the manufacture of margarine and mayonnaise.

The production of sesame, already in surplus, is still increasing, and the government is supporting the establishment of a peanut oil production facility. If the increase in vegetable oil production continues, it is likely that the government will initiate action to restrict imports by such means as higher duties and restrictive licensing.

Outlook for U.S. sales of vegetable oils in Venezuela is for a continued upward trend for a few years; but eventual reversal of the trend is likely. The time that the downward trend begins will depend, of course, on the degree of success attained in production.

Venezuela also imports large quantities of soybeans for crushing, which provide additional oil supplies for manufacture and meal for use in animal feed. Feed manufacturers are required by law to exhaust the supply of locally produced tallow before they may use imported oils in their feeds. Consequently, while the bulk of the soybean meal is used in feed this is a very minor outlet for the oil.

Feed production is a rapidly growing industry, and the increasing demand for oil for processing will continue the imports of soybeans. This market totaled $2.5 million in 1967, all from the United States, and has been a relatively steady one in recent years. The United States has held 100 percent of the market since 1965 and should continue to do so in the future.

Pulses

The market for dry peas and lentils, which cannot be grown in Venezuela successfully, has been in the range of $1.5 million to $2 million annually. The United States has consistently supplied 90 to 100 percent of this market. Outlook is for a continuation of the gradual annual increase in the sale of these products and for the United States to maintain its share of the market.

Dry beans, exclusively black beans, have been imported from the United States, Mexico, and other neighboring countries. The size of the market has been increasing gradually each year, reaching a little over $5 million in 1967. The U.S. share of this market has been erratic, varying from about 56 percent to 90 percent in recent years. In certain years, the size of this market for the United States has been affected by uncertainties of U.S. supply, an inability to ship, and special deals and lower prices offered by other countries.

Although Venezuela's production of dry beans is increasing gradually, this expansion rate has not equaled average rate of population increase. Since the beans are a prime ingredient of pabellón, the Venezuelan national dish, imports will continue in the foreseeable future and there will continue to be a small annual increase in size of the market. The U.S. share of the market will continue variable, although beans from the United States are preferred because of their high quality.

Fruits

Fresh fruits imported by Venezuela are those that are produced in temperate climates. Imports of such fruits as apples and pears will continue, while Venezuela actively promotes the export of tropical and subtropical fruits.

In recent years, imports of temperate-climate fruits have been controlled by an import quota system that decreased imports by a set 10 percent each year. However, starting in 1969, a new system that may allow for annual increases in imports has been initiated. This system provides each importer a basic quota based on 90 percent of the quota he had the previous year and provides for additional bonus quotas related to the amount of locally produced fruit he exported during the previous year.

If Venezuela is able to establish a growing export market for its indigenous fruits it could become an increasing outlet for U.S. temperate-climate fruits. During the 1968-69 season the United States lost a large part of its share of the Venezuelan market for fresh fruits because of a short apple crop and resultant high prices. Assuming a more normal crop in 1969, the share of the market should be regained since Venezuelan importers and consumers prefer U.S. fruit. This preference is based on the fact that the quality and condition of U.S. fruit on arrival are more dependable and consistent than those of the fruit of most competing suppliers.

For processed fruits and vegetables the United States has a higher and more consistent share of the Venezuelan market. Probably this market will continue to expand in the future and the U.S. share will be maintained. Although this market has varied in some years, generally it has been about $4 million to $4.5 million annually, the United States supplying about 60 percent.

Asian Changes and the World Rice Market

By CLARENCE E. PIKE
Foreign Regional Analysis Division
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Many of the reasons for the change in the market position of rice in the world in the past 2 years—from a sellers' to a buyers' market with its accompanying decline in prices—lie in changing conditions or developments in Asia where the greatest share of this cereal is produced and consumed.

These Asian changes include sharp increases in yield obtained in Japan and in a number of developing countries that have adopted the new high-yielding varieties, and rapid urbanization; improved growing weather in the rice-producing countries also helped in the achievement of high yields. Japan has shifted from a substantial net importer to a surplus position. West Pakistan is faced with surplus of IR-8 rice. And currently the Philippines is self-sufficient in rice.

On the other hand, South Korea—which has been a rice exporter in some years—has shifted to an import basis. And the import requirements of the Asian countries that regularly ship in much of their rice remain substantial.

Today the United States is faced with a larger net export surplus of rice than it had last year. In the years ahead it is expected that the world rice situation will adjust to one of generally adequate exportable supplies and lower prices.

New production records

Following declines in 1965 and 1966 (a result of unfavorable weather in Asia), world rice production climbed to a new high in 1967 and to another in 1968. If weather in Asia is normal in 1969 still another record outturn can be expected. This sharp production upturn is attributable to generally good growing conditions and the planting of new high-yielding varieties in several important rice-growing countries.

Rice production has been the basis of the economies of the heavily populated countries of Asia for untold centuries. It is one crop that can be grown year after year, century after century, on the same plot of land with no appreciable decline in fertility. This plus the fact that yield fluctuates only moderately from year to year makes it possible for a farmer to adjust with great accuracy the size of his farm to the food needs of his family.

The high labor requirement sets a limit to farm size; therefore, for the average farmer there was no need, and in most cases no incentive, to increase the size of holdings above a certain level even if land was available. Thus, the predominance of small holdings of 2 to 8 acres is not a result of population pressure but of the adoption of a labor-intensive cropping system in which rotation or shifting of crops is unnecessary.

Asia accounts for roughly 90 percent of total world rice production. Communist Asia, chiefly Mainland China, is the world's largest producing area, accounting for 65 million metric tons (milled basis) of the 186 million total in 1967. In that year South Asia (including India, the world's second largest rice producer) was the next largest producing area, accounting for 55 million tons. Southeast Asia (which includes the major exporting countries of Thailand, Burma, and Cambodia) accounted for 18 million tons. Japan, the only developed country of Asia, accounted for over 13 million tons.

Significant non-Asian rice-growing countries include Brazil, the United States, the United Arab Republic, Malagasy Republic, and Italy.

New varieties change outlook

The development and spread of the new high-yielding rice varieties in South and Southeast Asia is of historic significance; it materially modifies the long-range rice production outlook for the world.

Introduction of the new varieties is shifting comparative advantage in production throughout Asia and elsewhere. The Indica rice varieties of the tropical countries have generally been characterized by low yields as contrasted with the Japonica varieties of Japan and Taiwan; the latter are unsuitable for the Tropics.

Since the early 1960's research programs have been underway in several of the tropical Asian countries to develop high-yielding varieties adaptable to local conditions. The International Rice Research Institute, established by the joint effort of the Ford and Rockefeller Foundations, began work along this line at Los Baños in the Philippines in 1962. By 1965 it had developed the IR-8 variety by crossing a tall rice from Indonesia with a short rice from China. In 1967 IR-8 and other newly developed high-yielding varieties were widely planted for the first time.

The new varieties produce much higher yields than the old established varieties. Their shorter, stiffer stems are important in the achieving of increased productivity under heavy fertilization because the plants do not lodge. To be successful, the new varieties require irrigated land with good water management, substantial fertilizer, and proper application of pesticides. When all these conditions are met the doubling of yields is practicable.

So far, the high-yielding varieties have been most widely adopted in India, the Philippines, and West Pakistan. The outlook for adoption of the new varieties in other countries around the world is varied because of the widely differing farming conditions.

Favorable conditions include a good irrigation system and a relatively high level of technology.

These conditions are present in varying degrees in most countries of South and Southeast Asia. However, there are very wide variations in the controlled irrigation. Indonesia probably has the greatest potential for water control. In contrast, in Thailand and East Pakistan most of the rice land is subject to annual flooding with no control over water levels.

West Pakistan, because of the very limited cloud cover in the growing season and its relatively disease-free conditions, seems uniquely suited to the new varieties.

Asian staff of life

Rice is the basic item in the diet of half the world's population; more than 90 percent of it is consumed in Asia.

The article above was excerpted from a paper presented by Mr. Pike to a meeting on policy-oriented research on rice at College Station, Texas, June 25, 1969.

For untold centuries most of the people of East and South Asia have depended on this cereal for most of the calories in their diet.

Since rice is such a basic food item of so many people, its total utilization is highly dependent on population trends, especially in the major rice-consuming countries. In the developing countries gross national product and per capita incomes are also of considerable importance in determining total consumption. The population of the main rice-consuming countries is growing at a faster rate than that of the countries where other grains or nongrain products form the staple of the daily diet. In order to maintain present per capita consumption, world rice production must be increased by 2 to 3 percent a year. The potential increase in use is considerably higher.

A question that has developed in rice utilization is consumer acceptance of the new high-yielding rices, such as the IR-8. Indications are that Asian rice eaters will consume the new varieties only at a substantial discount in prices. Considerable research is now being directed toward developing a grain fully acceptable to consumers. It seems reasonable to expect that such a high-yielding rice will be coming from the research stations in the next few years.

Perhaps the most significantly changed situation in recent years for an important rice-consuming country has occurred in Japan. Until the harvest of its record 1967 crop, Japan consumed substantially more rice than it produced. With the larger crops of 1967 and 1968 it ceased to be an importer of significance and is now faced with a growing surplus of domestically produced rice.

The situation is further complicated by the fact that a moderate per capita decline in consumption is underway as increasingly prosperous consumers are eating more noncereal foods. Export possibilities for Japan's rice are limited because the type of rice produced is not generally desired on the world market and it is produced at a government fixed price much above the world market level. Consequently there is talk in Japan of using 1 million to 2 million tons of lower quality rice for animal feed.

World rice trade—past

Less than 4 percent of world rice production enters world trade—about one-tenth the quantity of wheat that is traded internationally.

International rice trade is dominated by developments in the major Asian rice-producing countries. The rice shortage and corresponding increases in rice prices that developed in the 1965-67 period were caused by the failure of Asian countries to maintain production and long-time export supply levels. In the years ahead developments in Asia will largely determine the world rice trade picture and considerably influence rice policies in the United States and other major non-Asian rice exporters.

For a number of rice-exporting countries—including Burma, Cambodia, and Thailand—rice exports are the major source of foreign exchange, a fact that makes world rice prices of vital interest to them.

Rice prices also influence—in the opposite direction—the foreign exchange position of several of the developing world's major rice importers.

According to FAO data, world exports in 1966 reached a total of $1 billion, up from $717 million in 1961. The three leading sources of the 1966 exports were estimated to have been as follows: Southeast Asian countries, $360 million; United States, $230 million; and Mainland China, $141 million. World rice prices rose from 1966 to 1968 but have declined since.

Before World War II, French Indo-China (now North and South Vietnam, Laos, and Cambodia) was the world's largest exporter of rice. Shipments averaged around 2 million tons annually with a large part of this volume going to Europe for livestock feed. During this period many more of the major rice-consuming countries were self-sufficient than have been in the past two decades.

After the war Burma became the largest exporter, shipping between 1.5 million and 2 million tons a year, mostly to Asia—principally India, Ceylon, and the Philippines. In the late 1950's and early 1960's, exports from Burma gradually declined, and Thailand became the leading exporter, shipping from 1.5 million tons to 1.8 million tons annually. Burma continued in second place, the United States moved up to third position, and Mainland China to fourth.

In 1967, the United States became the largest exporter of rice, shipping 1.8 million tons. This included 832,000 tons that were financed under P.L. 480, most of which went to South Vietnam. Thailand and Mainland China were second and third ranking rice exporters, shipping 1.4 million tons and about 1 million tons.

Other major exporters of rice included Burma, Taiwan, Cambodia, Guyana, Brazil, United Arab Republic, Italy, Spain, and Australia.

World rice trade—projected

Although there is no massive world surplus of rice in sight, the rice marketing picture has been changed from a sellers' to a select buyers' market in 1969 as a result of the major increases in total production in 1967 and 1968 and the indications for a good crop so far in 1969. Importers can be expected to be much more discriminating as to quality, detailed specifications, and delivery dates.

By 1980 it is expected that the world rice situation will have adjusted from the recent pattern of relatively high prices and scarce supplies to one of generally adequate exportable supplies and significantly lower prices—lower both in absolute terms and in relation to wheat, which is the nearest substitute.

A significant increase in production is expected in many of the importing countries. Depressed producer prices in the developing countries, however, may curtail production increases.

Among the developing countries, exports from Thailand, Mainland China, Taiwan, and the United Arab Republic are projected to drop from the levels of the late 1960's. Burma is expected to improve on its recent export performance, and South Vietnam should again become a rice exporter. Indonesia is expected to continue to be a significant rice importer, but its import volume is expected to drop off substantially from the late 1960's.

South Korea, faced with continued difficulties in increasing rice production and a rapidly rising population, is expected to remain a substantial importer of rice. Both Ceylon and Malaysia will need less rice imports. But India is expected to increase its import demand, and Pakistan—despite significant increases in production in West Pakistan—may find it increasingly difficult to maintain the net export levels of the late 1960's.

Highlights of three reports to the

International Cotton Advisory Committee

In its June 30 issue, *Foreign Agriculture* took note of the 28th Plenary Meeting of ICAC, held at Kampala, Uganda, earlier in the month. Here it enlarges somewhat on the business of that meeting, offering the substance of three important statements made there—the cotton policy statement of the U.S. Delegation, the final cotton policy statement agreed upon by ICAC's Committee of the Whole, and the report on technical research programs of the International Institute for Cotton, presented to ICAC by IIC's Executive Director.

To carry out the function implied by its name, the International Cotton Advisory Committee operates in two ways—through annual plenary meetings held alternately in member countries and, between these, through a Standing Committee in Washington, served by a permanent secretariat. The ICAC is, as the U.S. Delegation's report put it, "a consultative and advisory association of governments with fact-finding, as opposed to regulatory, responsibilities."

Both through the plenary meetings and through the regular monthly sessions of its Standing Committee, ICAC provides a forum for the regular exchange of information and views on developments affecting the world cotton situation.

ICAC Hears U.S. Cotton Policy

During the 28th Plenary Meeting of ICAC, its Committee of the Whole heard cotton policy statements by many member countries. Speaking for the U.S. Delegation was its chairman, J. Phil Campbell, Under Secretary of Agriculture, who set forth current U.S. policy as follows: "Our present cotton legislation was enacted in 1965 and was to run through this crop year. Then in 1968 the Congress extended it through the 1970-71 crop year. One of the major objectives of the Agricultural Act of 1965 was temporarily to shrink U.S. production until stocks were again at normal levels so that excess stocks could move into use. Another major objective was to shift the system of price support loans to not exceed 90 percent of world prices and thereby price U.S. cotton more competitively at home and abroad. It was visualized that this would permit exports to be sustained at reasonably high levels—mainly by avoiding extended periods when U.S. cotton might be noncompetitive—and to hold our markets against mounting competition from manmade fibers. The current U.S. cotton program also provides for payments to producers on the domestic portion of their production.

"A third major objective of the Act of 1965 was to provide a mechanism whereby future production could be planned in line with domestic and export customer demand and the maintenance of stocks at a reasonable level.

"With the surplus eliminated and stocks at, or possibly even below, a desirable level last August 1, it was clear that the former basis for induced acreage diversion no longer existed and it was dropped from the 1969 program. Our anticipated need, as seen at the time the 1969 program was developed, was for a crop of about 12 to 13 million bales, which it was expected would be produced from a planted acreage of about 12 million acres. The March Acreage Intentions report indicated that acreage would closely approximate this level."

Turning to broader aspects of the world cotton situation, Mr. Campbell listed three key points for the Committee's consideration.

• *Cotton is facing accelerated competition from manmade fibers throughout the world at a time when some cotton people think the price of cotton may be too low for profitable production.* In retrospect, Mr. Campbell said, it is clear that in 1967-68 the world supply of certain qualities of cotton—perhaps even the total supply—was allowed to become too low. "Granted that it can be argued that there was no 'shortage,' in that all qualities continued to be available at a price, the fact remains that prices did react sharply upward sufficiently to play right into the hands of our competitors, who sold increased quantities of manmade fibers."

Said Mr. Campbell, "We would be in danger of rendering cotton and the people of the world a grave disservice by failing to learn the lesson of the past few years. If we are correct, as we believe we are, that price and adequacy of supply are important considerations in the struggle for a rising level of cotton consumption in the world, then the implications for cotton should be clearly understood and heeded.

"We suggest that the oft-repeated goal of 'a remunerative price that is fair both to the producer and the consumer' might well be replaced by 'the highest level of producer price that is compatible with achieving a balance of production and consumption at the highest practicable level.' This objective takes full notice of our competition in the form of manmade fibers and suggests that we distinguish between alternatives by applying the test: which contributes to the higher level of cotton consumption?"

• *Even in a year when the U.S. Government owned virtually no stocks and when U.S. exports are distressingly low—in the viewpoint of the United States—world prices have been declining.* "This season started with virtually no cotton owned by the Commodity Credit Corporation," Mr. Campbell pointed out. "Our total carryover, which was modest in size, was held by private firms—mills and merchants. A shipping strike and offerings of some growths of foreign cotton below the price of most other growths resulted in the exportation from the United States of only 1.3 million bales from August through March. Despite reduced shipments from the United States, prices of cotton in world markets weakened, and various other producing and exporting countries have experienced difficulty in disposing of their current crop."

• *The persistent tendency for world cotton production to increase at a faster rate than cotton consumption and for surpluses to accumulate is still a fact of life.* Mr. Campbell referred to a report "Problems Confronting Cotton," prepared by a working group of the Standing Committee for the 1966 Plenary Meeting of ICAC, which stated in part, "Basically, the cotton problem has two broad aspects—the present surplus and its liquidation, and the persistent imbalance between production and consumption. Attention must be directed at both aspects of the problem concurrently." Mr. Campbell commented, "The chronic tendency for production to outrun

consumption has been recognized, but are we any closer to dealing effectively with it today than we were at any time in the past decade or the decade before that?"

Another approach to this problem, Mr. Campbell said, is to work on the consumption side of the equation. "We would not argue that promoting consumption can do the entire job, but we believe that it can make a major contribution. Having adequate supplies at reasonable prices is not enough. We need new markets for finished products. We seem to lack market finesse. Manmades have it. They promote their fibers, and they use all means available to put products made from their fibers before the consumer. They create demand for a $10 shirt, and the retailer who handles it has a larger profit than from the sale of a $5 cotton shirt. We must be as aggressive in the marketplace as are the MMF interests.

"We invite all producing countries to pause and think. Perhaps we have 'underconsumption' of cotton as much as 'overproduction.' All interested parties should join together in the IIC to see to it that underconsumption is not being falsely called overproduction."

ICAC States Its Own Cotton Policy

The final Plenary statement by ICAC on cotton policy grew out of discussions on points raised by the various country statements and the information provided by the Secretariat on production, consumption, prices, and stocks—and, of course, on international trade in cotton.

The Committee noted that world cotton consumption and production were in equilibrium in 1968-69; but it noted also that no real headway was made in consumption. Though there were increases in the USSR and in most consuming countries of Asia, there was a decline in the United States, with no significant improvement in the traditional textile manufacturing countries of Western Europe. World stocks on August 1, 1969, were expected to be about equal to last year's 21.6 million bales—one of the lowest levels in the 1960's and equal to about 5 months' consumption at the current rate.

Despite this low stock level, the Committee pointed out, world prices of upland cotton were weak for most of the season, owing principally to unfavorable buyer reactions after the high prices of 1967-68, to the production increase that followed the abnormally small crop of that year, and to cotton's failure to register a significant world consumption improvement. The Committee stressed the damaging effect that substantial declines have, both at the private and at the public level—on producers' standards of living and on governments' balances of payments, revenues, and development plans.

The Committee also stressed, however, that cotton's most serious problem is the constant erosion of its markets by manmade fibers; and it warned that since the cotton textile industry has become capital intensive, manufacturers have stepped up their forward planning, so that price fluctuations and uncertainty of supply may deter them from using cotton for fear of financial losses on inventories.

ICAC emphasized, therefore, the need for reasonable price stability for cotton at a level that protects its competitive position; continued efforts to keep production and consumption in balance and avoid surpluses; and a stock level sufficient to maintain adequate supplies in the mill industry. A proper balance among cotton types and qualities should also be maintained within stocks, the statement pointed out.

The Committee noted that all countries have responsibility for avoiding a world cotton surplus while maintaining adequate stocks, though some countries have a greater capacity to make a positive contribution than others. Continued research and modern technology can help lower cotton's unit cost of production as well as favor high quality standards; and ICAC's Committee on Cotton Production Research can aid by disseminating information.

To improve raw cotton consumption, strong emphasis should be placed on the development of improved and enlarged markets for cotton goods. The Committee praised the work of IIC in this regard, while noting that IIC funds are still only a small fraction of those available to the manmade fibers and are insufficient to do all that should be done for cotton. All cotton producing countries not now members of the IIC were urged to join it and support its efforts.

The ICAC policy statement stressed the need for continuing meaningful consultations and discussions. It underscored its own role in disseminating information on members' policies and programs, serving as a forum for the discussion of cotton matters, and maintaining close cooperation with all international bodies substantially interested in cotton production, consumption, or trade.

IIC Reports on Cotton Research

The International Institute for Cotton now has 12 major technical research projects underway in six European countries, according to a report made by its Executive Director, Read P. Dunn, Jr., to the ICAC Plenary Meeting. Focus of IIC-sponsored research has been the development of good chemical finishes for easy care and permanent press that will not significantly diminish cotton's built-in advantages of comfort, durability, and abrasion resistance. Now, with its research program launched, IIC is turning to the development of new cotton products, especially knitwear.

Mr. Dunn gave examples of the work being done for IIC in cotton-structure research, which is designed to lead into improvements in easy-care finishes. To aid in the more uniform absorption of chemicals used in these finishes, the Vezelinstituut TNO in the Netherlands has been studying the possibility of increasing the evenness of the cotton fiber by swelling its fibrils. These studies have shown that under laboratory conditions certain resin treatments applied for this purpose can produce fibers that are as strong as the original cotton fiber or stronger.

Also under examination with IIC help is imperfect distribution of chemical crosslinks within the cotton fiber during treatment with easy-care finishes, leading to brittleness. At work on this matter is the Shirley Institute in Manchester, England, which reports that while it has not yet achieved a satisfactory redistribution of the crosslinks, it has developed a new process giving a much better balance between easy care and long wear than that obtainable by conventional processing. The process has been patented and will be investigated on a pilot-plant scale.

Another type of IIC activity described by Mr. Dunn is product or fabric development, which uses existing technological advances to create new and interesting cotton goods. One such advance, still in an early stage, is twistless yarn, invented in the Netherlands. Producing yarn directly from

the cotton sliver (a loose, soft rope of parallel fibers without twist, which results from carding and is ordinarily twisted slightly and drawn out finer for spinning), this process bypasses conventional spinning entirely. It can work only with cotton and linen fibers; nonabsorbent synthetics cannot be handled in this way. Twistless yarns present no weaving problems, and fabrics produced from them have a very attractive feel, good lustre, and much better cover and absorbency than comparable fabrics made from conventionally spun yarns. They offer possibilities for mercerizing and resin finishing that are promising not only in themselves but because they are not available for manmade fibers.

Another piece of technology with good prospects for cotton is the break-spinning machine, which can produce—at speeds two or three times those of conventional ring-spinning machines, and in almost continuous length without knots—yarns that are far more regular, more uniform, and more resistant to abrasion than comparable ring-spun yarns. Even higher speeds will be possible once spindle bearing problems have been overcome. Cotton is particularly suitable for spinning on such systems. One Japanese company already has the equivalent of 100,000 spindles in operation—all on cotton.

Since break-spun yarns are especially appropriate for knitting, and since IIC's fabric development work is concentrated in the knitwear area at present, IIC plans to obtain sizable quantities of this yarn for investigating its performance. In the United Kingdom, over half the apparel produced is now knitted, and most of these goods are produced on high-speed machines from which cotton is virtually excluded for performance reasons. Break-spun yarns, Mr. Dunn believes, may give cotton a break-through opportunity here.

Also of interest to IIC are new knitting machines that are well suited to the processing of cotton. IIC has two exploratory projects involving such machines: one on Raschel knitting, the other on the Co-we-knit machine. The objective for both projects is to produce finished fabric, made-up garments, and other products that can be displayed to the retail trade. For these goods, IIC can offer technical advice on manufacture along with its formal promotion support.

In 1968-69, IIC was cosponsor of the first International Cotton Research Conference, in cooperation with the Institut Textile de France, the International Federation of Cotton and Allied Textile Industries, and the Syndicat Général de l'Industrie Cotonnière Française. This symposium, held in Paris during April, brought together about 400 leading scientists and representatives of trade and industry from about 25 countries, to hear 47 papers delivered by specialists from outstanding public and private research organizations in 17 countries. Latest technical and scientific developments in the spinning, weaving, and chemical finishing of cotton were reported, and the problems and opportunities of the future were discussed. Held concurrently with the Conference was an exhibition of yarns, fabrics, and garments from many countries, providing tangible evidence of the results of research on cotton.

New World Bank Group Loans Aid Farming in Four Nations

The World Bank and its affiliate, the International Development Association, have approved loans and credits equivalent to a total of $97.5 million for projects of importance to agricultural production and marketing. These projects include highway improvements in Argentina and Mauritania, railway improvement and agricultural credit in Pakistan, and livestock development in Spain.

Upgrading transportation facilities

Argentina is to receive a World Bank loan of $25 million, which will finance half the cost of a project including both the improvement of 500 miles of primary road and several studies designed to lay the foundation for sound planning of Argentina's road investment program for 1971-75. Roads to be upgraded and paved are parts of two arterial highways: one, a route from Buenos Aires to Mendoza (an important fruit area) and Chile; the other, a 2,000-mile main link with the southern provinces, from Buenos Aires to Tierra del Fuego. This is a 25-year loan at 6½ percent, with 4 years of grace.

Mauritania has been granted a 50-year IDA credit of $3 million to help resurface with laterite and then maintain about 300 miles of earth roads in the south—which has most of the population and the main agricultural regions. The credit will finance purchases of equipment, the services of consultants, and the training of local personnel. The government will provide local currency for the remaining capital costs and will finance recurrent maintenance expenditures equivalent to $4.8 million. The credit is interest free, with a service charge of 0.75 percent.

Pakistan will receive a Bank loan of $14.5 million—seventh in a series—to finance the foreign exchange costs of major improvements in the 5,400-mile system of the Pakistan Western Railway (PWR). Effective utilization of the railways in West Pakistan, especially the main-line route between the port of Karachi in the southwest and the populous northeastern region centered on Lahore, is considered essential for the balanced development of transport. This is a 25-year loan at 6½ percent, with 3½ years of grace.

Pakistan will also receive a 50-year IDA credit of $30 million, of which $27.7 million will be available to its Agricultural Development Bank for relending to farmers over a 2-year period to finance import requirements for tubewell irrigation and farm mechanization. The remaining $2.3 million will be retained by the government and allocated to dealers for the purchase of imported spare parts for tractors. About 18,000 farms are expected to benefit from the program, which, it is estimated, will yield annual production increases of 160,000 tons for foodgrains and 2,800 for cotton. Terms of the credit are like those for Mauritania.

Aiding livestock program

Spain will receive a $25-million Bank loan to help finance a $52-million livestock project providing credit, technical services, and improved marketing for about 1,000 farmers—mainly in the southwestern drylands but also in the dairy region of the north. The project will have far-reaching effects on the Spanish cattle industry as it demonstrates modern production techniques, trains a nucleus of Spanish technicians, and promotes domestic markets for breeding and feeder cattle and for improved pasture seeds. This is a 17-year loan at 6½ percent, with 5 years of grace.

Potatoes and tomatoes

Latest News on Canada's Two Major Vegetable Crops

Recent reports from Canada carry news on a new seed certification program for the country's major vegetable crop—potatoes—and a prediction of reduced production of second-ranking tomatoes.

The potato certification program is expected to become fully operational by 1971, according to the Canadian Department of Agriculture's Plant Protection Division, which is responsible for the inspection and certification of seed potato crops. Basis of the program is the annual introduction and multiplication under controlled sanitary conditions of seed grown from a limited number of tubers that have been given a clean bill of health after testing.

Five seed classes

The new program provides for five classes of seed potatoes—Elite I, Elite II, Elite III, Foundation, and Certified. Formerly, only seed of the last two was produced. Foundation will continue to be the main class offered for export and domestic seed potato markets, and Certified seed will continue to be used for production of table potatoes.

Seed planted for production of Elite I will be obtained from selected plants that have been tested and found free of bacterial ring rot and virus infections. Seed of Elite I will be certified as Elite II, and so on down the line. Under the previous program, classification remained unchanged (Foundation seed from Foundation stock) so long as a variety continued to meet specifications.

There is one exception to the annual reclassification. A grower of Foundation seed may maintain his own seed source for continued production of this class. However, the seed must be used only on his own farm and only if the farm has been free of ring rot for at least 3 years.

Some of the regulations under the new program are effective immediately, but 2 years are likely to be required to get the program into full operation and provide sufficient Elite III seed. Officials of the Plant Protection Division are confident that by feeding high-quality, disease-free seed into the system each year and by minimizing chances of outside contamination, Canada will be able to meet the most exacting requirements for freedom from bacterial ring rot and virus diseases of potatoes.

The outlook for tomatoes

Output of tomatoes in Canada is likely to be reduced by a combination of production and marketing forces, according to a recently released report by J. L. Pando, an economist in the Canadian Department of Agriculture's Economics Branch. Mr. Pando says that by 1980 southwestern Ontario will probably be the only tomato-producing region in Canada. The unfavorable climate for tomatoes in Quebec may cause canners there to seek supplies in Ontario; and farmers in British Columbia, where tomatoes are of marginal importance, will substitute less labor-intensive crops.

Developments in other countries also will adversely affect the Canadian industry, he adds. "In the United States, harvesting operations are rapidly becoming mechanized. The relatively small scale of the industry in Canada, both at the individual farm level and at the overall national level, and the limitations and uncertainty of the market for Canadian processed tomatoes are not conducive to rapid large-scale investment in mechanization. Therefore, imports of processed tomatoes from the United States will likely continue to increase, with a parallel reduction in Canadian production."

Mr. Pando predicts that Canadian consumption of processed tomatoes is likely to increase from 50 to 52 pounds per capita by 1980 and that much of the increase will consist of ketchup, chili sauce, and tomato paste. These products are imported in sizable volume, and any increase in demand is likely to be met by imports.

On the export side, Canada's main market could be lost if the United Kingdom joins the European Community. Tomato juice is the major product exported, and shipments have been increasing. From 2 million pounds in 1948, they rose to 13.7 million in 1967.

Canadian farmers have already reduced their acreage—from 43,010 in 1957 to 23,730 in 1967. On the other hand, yields have risen by 150 percent in 10 years—from 11,400 pounds per acre in 1957 to 27,917 in 1967. About 80 percent of the total acreage is used to grow tomatoes for processing, the major product being tomato juice. The remainder is for the fresh market. About 93 percent of Canada's tomato production currently comes from Ontario, and an increasing share of the Ontario production is shifting from eastern and central Ontario to Essex and Kent Counties between Chatham and Windsor. The highest single production cost to the Canadian farmer is labor, which accounts for nearly 49 percent of the total; of this, 69 percent is harvest labor.

—Based on dispatch from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa

Tunisian Citrus Output Increases

Unofficial estimates place Tunisia's 1968-69 citrus crop at about 85,000 metric tons—some 10.5 percent above the previous year's production. Largest component of the crop is oranges, 60,000 tons, followed by lemons, 10,000 tons. Although the season started out favorably, subsequent drought caused a higher-than-normal production of small fruit, and total culling of the commercial crop amounted to at least 11,000 tons. The outlook for 1969-70 is for a crop of 75,000 tons or less because of continued subnormal rainfall.

Exports in 1968-69 are expected to total around 41,000 tons, an increase of over 40 percent from those of the previous year. Largest single market for Tunisian citrus is France, with some going also to Switzerland, Communist countries, the Netherlands, and Sweden.

Citrus plantings in Tunisia now cover about 34,600 acres, and expansion continues at the rate of about 1,200 acres annually. More rapid expansion is envisioned with development of perhaps 10,000 acres by 1972 to be watered by the Upper Medjerda irrigation system. Some insect and disease problems (fruit fly, gummosis, and virus diseases) continue to hamper production, but water is the principal limiting factor in citrus expansion.

—Based on dispatch from PAUL FERREE
U.S. Agricultural Attaché, Rabat/Tunis

In annual workshop

Canadian Agricultural Economist Group Focuses on Wheat

"Wheat, Canada and the World—the Economic Issues," the topic for the fourteenth annual workshop of the Canadian Agricultural Economics Society (CAES), appealed to a broad spectrum of Canadians vitally interested in wheat. The 4 days of discussion in Regina, Saskatchewan, during late June brought together not only university economists but representatives of Federal and Provincial Departments of Agriculture, wheat pools, and grain trading companies.

Two papers dealt with subjects of special consequence to Canada's southern neighbor, the United States. One was the title paper, "Wheat, Canada and the World," presented by Dr. R. J. Goodman, vice president of Cook and Co., Inc., Washington, D.C.; the other was "The Institutions Associated With World Wheat Trade," presented by Dr. M. Menzies of Hedlin-Menzies and Associates.

Produce less wheat, export more

Dr. Goodman noted in his paper that world wheat production has increased rapidly during the past few years at a time when world import requirements are declining. These declining import requirements are primarily due to larger production in the traditional importing countries, from higher yields, larger acreages, or both.

In Dr. Goodman's opinion, the 1965-66 world wheat marketing situation is not likely to be repeated; 1967-68 was a more normal year. He noted that North America has borne almost all the reduction in wheat exports since 1965. Australia has shared very little in the decline; France has actually improved its net wheat trade position in the last 2 years. "Will countries be as cooperative solving the current wheat problems as 4 years ago when supplies were short?" he asked.

Dr. Goodman predicted increased wheat demand as world population continues to rise, but he also predicted that wheat production would increase faster. He felt that recent production increases in India and Pakistan have been due to new varieties, fertilizers, pesticides, irrigation, and tillage practices rather than to better weather conditions; and he foresaw the development of higher yielding wheat hybrids within 2 or 3 years.

He concluded, therefore, that the outlook for wheat exports is not very bright. Canada and the United States, he pointed out, have similar problems except for being largely dependent on different customers. Large quantities of wheat are shipped by Canada to Communist countries and by the United States to developing nations such as India and Pakistan. He predicted, however, that wheat sales under Public Law 480 will decline because recipients are producing more and because multilateral food aid will be able to meet much of their food aid requirement during the next few years. Thus, both the United States and Canada are looking for commercial customers.

Dr. Goodman suggested two possible solutions to the world's present wheat problems—develop more exports and reduce production. To export more, it would be necessary to initiate new, stronger efforts to reduce tariff protection of inefficient production; reduce world wheat price levels, to discourage production and increase the competitive position of wheat with feedgrains; and accelerate international development, so that developing countries can earn enough foreign exchange to purchase their wheat requirements rather than have to accept aid.

Reduced wheat production, he noted, would have three main consequences: Production efficiency too would be reduced, at least in North America; governments would have to accept either the cost of permanently retiring some agricultural resources or the risk of causing increased production of other commodities; and more agriculturally oriented people would have to be absorbed into other segments of society.

Dr. Goodman's first discussant, E. K. Turner, new president of the Saskatchewan Wheat Pool, agreed that lower tariffs were necessary to increase exports but expected movement in this direction to be slow and problems to arise with nontariff barriers. He also felt that for Canadian farmers lower world wheat prices would mean lower returns, but for farmers in some other countries, higher subsidies. In his view, reduced production would not necessarily reduce production efficiency if the proper method were used; a homestead policy in reverse, to retire complete farms and retrain people for other jobs and opportunities, might be effective.

Mr. Turner also suggested that proposed government programs to assist western Canadian farmers—such as cash assistance, floor prices, or two-price systems—should be tied to realities of the export and domestic markets.

The second discussant for Dr. Goodman's paper, Dr. G. A. Hiscocks of the Economics Branch, Canadian Department of Agriculture, noted that world wheat trade historically moves in cycles and now appears to be in a trough. Only a few countries produce no wheat, and wheat trade normally provides the residual supply for countries that are not self-sufficient. World wheat production, he pointed out, has been growing much faster than previous long-term projections predicted, with Australia and North America now producing as much wheat as the Food and Agriculture Organization of the United Nations projected for 1975, or more. He agreed with Dr. Goodman that concentrated efforts to remove trade restrictions are needed; but he contended that any world price reduction would affect producer prices only in Canada, Argentina, and possibly Australia—agreeing with Mr. Turner that other countries have insulated their producers from world prices so thoroughly that lower prices would not discourage production.

Dr. Hiscocks felt that opportunities for expanded wheat competition with feedgrains are limited because wheat production at feedgrain prices is uneconomic. The possibility of increasing consumption in less developed countries he called at best a long-term solution.

Wheat trade institutions viewed

Dr. Menzies compared in his paper the organizations and government programs set up in Canada, Australia, and the United States to assist or control wheat trade. Discussing the Canadian Wheat Board, he suggested that its main function should be to sell Canadian wheat. In his opinion, it ought not to be so closely identified with government policy as it has been since 1967. At present, he noted, the Federal Government is involved in Board activities to the extent that

it guarantees the initial producer payment and also the Board's operating credit.

Dr. Menzies pointed out that because the Board purchases wheat to the limits of storage capacity regardless of the market, Canadian farmers also tailor their wheat production to storage capacity rather than to market requirements. Thus, very little of total Canadian storage space is available for use in marketing, being needed for managing surpluses.

Turning to world wheat trade, Dr. Menzies contended that international cooperation is vital and that agreed price ranges under the International Grains Arrangement must satisfy both exporting and importing countries. He noted that the IGA was originally intended to encompass feedgrains too and was negotiated on the strength of a 5-year seller's market—now nonexistent. Conceding that to set relative values for all wheat grades had been difficult if not impossible to do to the satisfaction of all countries, he concluded that there still seems to be a general desire to hold the IGA together, perhaps with some adjustments.

Discussing Dr. Menzies' paper, Dr. J. L. Leibfriend of the Canadian Wheat Board agreed on the need for international cooperation but noted that there had been no real progress in this field except in times of scarcity. It may not be possible, he said, to have good international cooperation unless the real and very different national interests of all countries involved are taken into consideration.

The second discussant, Dr. J. W. Maddill of the Alberta Wheat Pool, urged more attention to institutions and government programs in developing countries like India and Pakistan, which have traditionally been importers. Pakistan, now virtually self-sufficient in wheat and with the capacity to produce much more, may have from 3 to 4 million tons of wheat for export in the future, about as much as France. Dr. Maddill stated that the aim of the Pakistani Government is changing toward exporting wheat by such methods as bonus vouchers (selective devaluation) and barter arrangements. Bonus vouchers would probably be necessary for most markets because Pakistan supports domestic wheat production at a price equivalent to about US$2.65 per bushel. Barter arrangements could be used effectively with Mainland China.

—From a report by TERRY NORMAN, *Agricultural Specialist*
Office of the U.S. Agricultural Attaché, Ottawa

EC Council Again Postpones Dairy Price Decisions

Any attempt to control the growth of the European Community's butter mountain by reducing the EC intervention price for butter is politically explosive. This is demonstrated by the fact that the EC Council of Ministers has postponed several times the setting of the butter price for the 1969-70 dairy marketing year, which was due to begin April 1, 1969. At its July 28-29 meeting, the Council again postponed that decision—and the related one on the intervention price for skim milk powder—and extended the 1968-69 marketing year to November 2, 1969.

During the 1968-69 year, the Community had made no progress at shoveling away the butter mountain. On the contrary, April 1 saw butter stocks of 270,000 metric tons towering over the EC economy—after increasing by 110,000 tons, or twice as much as they did the year before.

EC butter production as a whole rose by 7 percent to 1.4 million tons in 1968, and consumption underwent a 1.6-percent decline, to 6.2 kilograms per capita (about 13.7 lb.). Highest rate of production increase (a staggering 22 percent) was in the Netherlands, as was also the biggest slump in consumption (20 percent).

Exports the last resort

Without production declines or consumption increases, the only tool left for the EC to use in whittling down its butter stocks was exports to non-EC countries—at greatly reduced subsidized prices. But, despite these high subsidies, exports have not even checked the growth of the butter mountain, to say nothing of diminishing it. In an attempt to move more butter into export, food processors exporting products with at least 26 percent butterfat have been given a windfall minimum price of $250 per metric ton for purchases of cold storage butter. This works out to 11⅓ cents per pound. French housewives pay between 90 and 95 cents.

Butter offered for tenders must have been in storage for a year, and processors must agree to buy at least 10 tons and sell their products to third countries within 3 months. They also receive subsidies calculated to offset higher EC prices on other ingredients such as flour and sugar.

Here is how an EC processor goes about obtaining bargain butter from his country's intervention agency. Making a tender in writing, he deposits a surety of $30 per ton. The intervention agency will accept the highest bid first, then the lower ones, until the supplies offered are exhausted. After purchasing the butter, the processor must make an additional deposit of $160 per ton to insure its use in exported products. Small bakeries unable to meet the conditions of the tender offer can buy their butter on the wholesale market and be eligible for the regular export subsidy on the butter content by weight of their export products. The wholesale price less the export subsidy would yield a net price of 18 cents per pound—also a considerable bargain.

FEOGA pays the price difference

Each EC Member State must report monthly to the EC Commission on the amount of food products it has exported containing butter bought from its intervention agency through tenders. The difference between the high intervention price (at which the intervention agency bought butter from the producers) and the low sales price charged through tenders is covered by the European Guidance and Guarantee Fund (FEOGA), whose guarantee section is charged with support-price and export-subsidy activities under the EC's Common Agricultural Policy. In the Netherlands, for example, the intervention agency, with an intervention price of $1,735 per ton, would "lose" $1,485 per ton (apart from the cold storage charge) by selling butter to processors at the minimum price of $250 per ton. FEOGA would absorb this loss.

Butter sales at reduced prices to special consumer groups such as the armed forces and nonprofit institutions have also been authorized. And on July 15, the EC Council approved giving 35,000 tons of butter oil as food aid to developing countries.

—By GRACE W. FINNE
Trade Policy Division, FAS

Philippine Import Restrictions Hit U.S. Sales

U.S. agricultural exports to the Philippines face a cut of at least 10 percent as the result of recent restrictions on letters of credit for import items.

Trying to combat a steadily deteriorating foreign exchange position, on June 18, Philippine commercial banks, under a "gentlemen's agreement" between the Central Bank and the Banker's Association of the Philippines, started enforcing a ban on letters of credit for imports of so-called nonessential commodities and a limit on letters of credit for other imports.

The Central Bank's Statistical Classification of Commodities provides the basis for determining which commodities remain eligible for restricted letters of credit and which will be ineligible. Of the latter, those items of major interest to U.S. agricultural exporters include: all meats and meat products except beef, mutton, lamb, and sausage casings; all poultry (including turkey); all dairy products, eggs, and honey except condensed milk, evaporated milk, sterilized natural milk, powdered whole and skimmed milk, anhydrous milk fat, egg albumen, egg yolk, egg powder, ice cream mix, curd, and malted milk for infant feeding; all fish and preparations except squid, mackerel, herring, salmon, and sardines; all cereals and cereal preparations except wheat, barley, rye, oats, wheat flour, rye flour, and barley malt; all fruits and preparations except fruit peel and fruit juice concentrates; all vegetables and preparations except dried white beans, chick peas, and green peas for food manufacture; all alcoholic beverages including wines; all manufactured tobacco products, all miscellaneous food preparations including baby foods and soups, except hops and yeast not used in baking.

Estimated loss in sales

A comparison of banned categories in the Central Bank classification with U.S. export data for calendar year 1968 indicates that $11.5 million worth of U.S. agricultural exports, out of a total of $96.2 million, are affected by the letter of credit ban. The loss in sales during the current year should not reach this level since the ban did not go into effect until mid-year and letters of credit outstanding at that time were probably sufficient to provide supplies for the next several months, at least for some commodities.

The 1968 value of those U.S. agricultural products now threatened by the letter of credit ban includes: Meats and meat products, $1.1 million; milk and milk products, $175,800; cereals and preparations, $2.9 million; fruits and vegetables, $4.5 million; sugar and products, $265,000; coffee, tea, and spices, $717,000; miscellaneous food products, $1.2 million; and lesser amounts for other categories of products.

The Central Bank is currently reviewing the classification of commodities and there is a possibility that some articles, such as alcoholic beverages which produce large revenues, will be reclassified to permit importation. However, it is not expected that any major reclassifications will be made and imports of most items now in the banned categories will probably remain restricted after the Central Bank review.

Other actions

In another move, the Central Bank on July 1 extended for another 6 months the Special Time Deposit requirements for import letters of credit. Under these requirements importers will continue to make deposits of up to 175 percent of the landed value of the goods for 90 to 120 days, depending on the Central Bank classification of the commodity. Wheat, feed ingredients, and some milk products are exempt from this requirement.

The prospects for future imports of food products face another uncertainty in the recently announced plan of the Tariff Commission to investigate the possibility of establishing import quotas on some commodities including processed foods, fruits, vegetables, and wheat flour. Under current legislative authority, import quotas could be established at not less than 10 percent nor more than 100 percent of average annual imports during the 3 preceding years. The establishment of quotas involves hearings and justification procedures.

While the ban on letters of credit does not affect imports of such basic raw commodities as wheat, cotton, tallow, tobacco, soymeal, and certain meats, imports of these commodities will suffer as the result of the recently announced reduction in the total value of outstanding letters of credit to 70 percent of the October 1968-April 1969 level. Import credit is being rationed by the banks and there is strong competition for the available supply. This credit squeeze further reduces the prospects for exports of U.S. agricultural products to the Philippine market.

—Based on dispatch from FRED W. TRAEGER
U.S. Agricultural Attaché, Manila

Swiss Corn Import Charges

On July 1, Switzerland reduced import charges for corn from US$1.84 to $1.38 per 100 kilograms. The explanation for the action was the "relatively high level of world corn prices." This is the first time that corn levies have been decreased since the fall of 1967 when the Swiss Government began increasing such charges for all feedgrains as one of a number of measures aimed at reducing milk and milk product surpluses.

Unfortunately, the reduction is not expected to have any significant effect on U.S. corn exports to Switzerland. According to Swiss grain traders, only small quantities of U.S. corn will be imported, even though it is currently offered at lower prices than corn from other origins, including France. The reason for low U.S. imports is that French barley is substantially cheaper than U.S. corn, due to the continued high level of EC export subsidies currently in effect for grain.

Canadian Milk Prices Up

The Milk Commission of Ontario has approved an increase of 6 cents per hundredweight in the price of industrial milk. Rejecting an appeal against the increase by spokesmen for the processors, the new price is now effective retroactive to July 1, 1969. Industrial milk, which is used for manufactured products such as nonfat dry milk, butter, cheese, and ice cream mix, now will cost the processors Can$3.60 per hundredweight up from $3.54.

The Ontario Milk Marketing Board first tried to raise the price in April, but was turned down by the Ontario Milk Commission after claims by the processors that the Province's milk plants were too poor to be able to afford the increase.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	July 29	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba ..	1.92	0	2.02
USSR SKS-14	1.84	0	1.88
Australian Prime Hard	1.87	0	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.86	−3	2.01
15 percent	1.93	+2	2.01
U.S. No. 2 Hard Winter:			
13.5 percent	1.83	+2	1.89
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter .	1.66	0	1.73
Feedgrains:			
U.S. No. 3 Yellow corn	1.42	−5	1.30
Argentine Plate corn	1.64	−2	1.50
U.S. No. 2 sorghum	1.34	−4	1.18
Argentine-Granifero	1.36	−2	1.23

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

U.K. Grain Consumption and Trade

Total domestic consumption of feedgrains in the United Kingdom during fiscal year 1968-69 is estimated at 13.53 million long tons, up 70,000 tons from a year ago. An increase of 145,000 tons is expected in human consumption of barley and other coarse grains—2,675,000 tons versus 2,530,000 during 1967-68. Animal feed usage at 10.25 million tons was off about 50,000 tons, and a reduction of 25,000 tons is expected in seed and other uses. Barley exports during the year are estimated to have amounted to only about 90,000 tons compared with 797,000 tons shipped the previous year. Exports of other coarse grains are also expected to show a decline.

Total feedgrain import requirements were estimated at 3.80 million tons, a reduction of about 200,000 tons from the 3.99 million imported during 1967-68. Traditional feedgrain imports were adversely affected by some substitution of both domestic and imported feed wheat. Also, supplies of homegrown grains were being cleared at a slower rate than had been anticipated, due mainly to a sharp drop in barley exports.

Domestic consumption of wheat is estimated at 8,015,000 tons—up 190,000 tons from the previous year's level. Human consumption, at about 5,175,000 tons, is expected to be 55,000 tons over the 5,120,000 consumed during 1967-68. The estimate of the quantity used for animal feed was increased to 2.6 million tons—10 percent greater than the previous year.

Wheat exports (including flour in grain equivalent), at 10,000 tons, were off from the 15,000 tons exported a year ago.

Wheat imports (including flour in grain equivalent) should total 4,525,000 tons—525,000 tons over the 1967-68 level. The reasons for the increase were the poor quality of last year's domestic crop, which increased the need for imported milling quality wheat, and the greater use for feed.

U.K. DOMESTIC CONSUMPTION OF GRAINS

Item and use	1967-68	1968-69 [1]	Difference
	1,000 long tons	*1,000 long tons*	*1,000 long tons*
Feedgrains:			
Human consumption	2,530	2,675	+145
Animal feed	10,300	10,250	− 50
Seed and other uses	630	605	− 25
Total	13,460	13,530	+ 70
Wheat:			
Human consumption	5,120	5,175	+ 55
Animal feed	2,340	2,600	+260
Seed and other uses	365	240	−125
Total	7,825	8,015	+190

[1] Estimate.

U.K. GRAIN TRADE

Commodity	1967-68	1968-69 [1]
	1,000 long tons	*1,000 long tons*
Feedgrains:		
Imports	3,990	3,800
Exports	870	120
Net imports	3,120	3,680
Wheat:		
Imports	4,000	4,525
Exports	15	10
Net imports	3,985	4,515

[1] Estimate.

Australian Domestic Canned Fruit Levy

Retroactive to March 28, 1969, Australia reduced its market development excise tariff on domestic sales of canned fruit from 30 to 5 Australian cents (33.6 to 5.6 U.S. cents) per dozen 2½-size cans. This fund was initiated in 1963 on domestic sales of canned apricots, peaches, pears, and fruit mixtures to provide money for broadening export markets for Australia's rapidly growing annual packs. Utilization of the fund in subsidizing exports has promoted successful penetration of the European market for canned clingstone peaches and mixed fruit.

Australian exports of canned peaches have more than doubled, from 1,817,000 cases of 2½-equivalent cans in calendar year 1963 to 3,975,000 in 1968. Canned peach exports to West Germany were practically nonexistent in 1963, yet totaled 1,057,000 cases during 1968. Exports of fruit cocktail and fruit salad soared from 91,000 cases to 883,000 during the same period.

U.S. Cotton Exports for June

U.S. raw cotton exports in June 1969 totaled 193,679 running bales, compared with 363,112 bales last month and 277,473 bales a year earlier.

Shipments in the first 11 months (June-August) of the current season amounted to 2,453,294 bales, down about 16 percent from the 3,848,279 bales shipped during the same period in 1967-68.

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1				
	Average 1960-64	1966	1967	August-June 1967-68	August-June 1968-69
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	23	4	1	1	0
Belgium-Luxembourg	121	52	45	41	28
Denmark	14	8	10	9	1
Finland	17	15	11	11	3
France	319	163	148	141	85
Germany, West	269	159	100	98	29
Italy	345	263	253	242	58
Netherlands	110	31	36	34	17
Norway	13	10	7	6	5
Poland	125	78	77	76	106
Portugal	21	1	9	8	8
Spain	74	1	7	7	5
Sweden	81	71	75	71	49
Switzerland	74	79	60	58	31
United Kingdom	244	153	125	117	46
Yugoslavia	112	139	67	63	54
Other Europe	17	11	24	24	6
Total Europe	1,979	1,238	1,055	1,007	531
Algeria	9	1	13	12	27
Australia	61	17	17	17	0
Bolivia	7	9	0	0	0
Canada	353	297	142	137	103
Chile	18	3	1	1	(1)
Colombia	3	1	0	0	(1)
Congo (Kinshasa)	6	34	13	1	0
Ethiopia	9	9	22	21	9
Ghana	1	15	12	10	17
Hong Kong	148	183	299	267	181
India	314	289	342	317	42
Indonesia	40	161	70	63	102
Israel	15	2	4	4	1
Jamaica	4	5	1	1	2
Japan	1,192	1,293	1,103	1,011	495
Korea, Republic of	261	372	351	319	433
Morocco	12	14	35	27	17
Pakistan	14	3	18	18	1
Philippines	123	134	154	123	102
South Africa	41	38	23	22	8
Taiwan	209	373	378	334	249
Thailand	34	70	90	81	61
Tunisia	2	15	14	14	0
Uruguay	6	0	0	0	0
Venezuela	8	1	(1)	(1)	(1)
Vietnam, South	46	66	24	18	50
Other countries	9	26	25	23	22
Total	4,924	4,669	4,206	3,848	2,453

[1] Less than 500 bales.

Tobacco Imports Rise in June

U.S. imports of unmanufactured tobacco for consumption during June 1969 rose to 20.5 million pounds, an increase of 2.6 million pounds when compared with June 1968. Most of the increase was in cigarette leaf.

Although duty-paid deliveries (for consumption) in June were up, the cumulative total of 105 million pounds during the 6 months period January-June 1969 continued to lag about 9 percent compared to the same period a year earlier.

U.S. IMPORTS OF UNMANUFACTURED TOBACCO
[For consumption]

	1968		1969	
	Quantity	Value	Quantity	Value
	1,000 pounds	*1,000 dollars*	*1,000 pounds*	*1,000 dollars*
January-June:				
Cigarette leaf (flue & burley)	1,880	533	3,243	1,159
Cigarette leaf, other	86,413	62,152	71,239	48,487
Cigar wrapper	251	1,088	172	597
Mixed filler & wrapper	66	406	171	924
Cigar filler, unstemmed	1,596	1,014	1,232	1,012
Cigar filler, stemmed	1,309	1,723	1,276	1,705
Scrap	24,420	9,149	27,432	10,465
Stems	298	13	711	45
Total	116,233	76,078	105,476	64,394
June:				
Cigarette leaf (flue & burley)	367	67	1,932	671
Cigarette leaf, other	12,744	8,578	13,219	8,900
Cigar wrapper	39	183	30	92
Mixed filler & wrapper	7	32	12	53
Cigar filler, unstemmed	201	137	74	140
Cigar filler, stemmed	162	208	257	369
Scrap	4,205	1,785	4,900	1,935
Stems	98	6	42	2
Total	17,824	10,996	20,466	12,162

Bureau of the Census.

June U.S. Tobacco Exports

In June, U.S. exports of unmanufactured tobacco at 55.5 million pounds were up 22 percent compared with June 1968

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	June		January-June		Change from 1968
	1968	1969	1968	1969	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	36,819	42,143	183,603	157,248	−14.4
Burley	1,995	4,933	17,724	22,615	+27.6
Dark-fired Ky.-Tenn.	1,877	1,649	8,414	8,076	− 4.0
Va. fire-cured[1]	274	421	2,146	1,861	−13.3
Maryland	961	1,223	4,707	5,603	+19.0
Green River	127	93	466	395	−15.2
One Sucker	62	42	198	113	−42.9
Black Fat	25	95	1,083	311	−71.3
Cigar wrapper	571	181	2,535	1,424	−43.8
Cigar binder	159	206	1,759	360	−79.5
Cigar filler	100	69	230	392	+70.4
Other	2,467	4,486	21,187	18,011	−15.0
Total	45,437	55,541	244,052	216,409	−11.3
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	39.2	49.8	209.1	191.5	− 8.4

[1] Includes sun-cured. Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	June		January-June		Change from 1968
	1968	1969	1968	1969	
					Percent
Cigars and cheroots *1,000 pieces*	3,676	6,343	37,405	33,731	− 9.8
Cigarettes *Million pieces*	2,337	2,958	11,964	11,273	− 5.8
Chewing and snuff *1,000 pounds*	18	3	120	16	−86.7
Smoking tobacco in pkgs. *1,000 pounds*	89	134	526	550	+ 4.6
Smoking tobacco in bulk *1,000 pounds*	2,363	2,858	9,524	8,658	− 9.1
Total declared value *Million dollars*	14.6	18.6	72.5	68.8	− 5.1

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exports of 45.4 million. Increased shipments of flue-cured and burley tobacco were primarily responsible for the rise. However, largely because of the U.S. dock strike in January and February, the January-June 1969 cumulative total of 216.4 million pounds fell 11 percent below the 244.0 million pounds exported during the same 6-month period a year ago.

Exports of tobacco products in June, valued at $18.6 million, represents an increase of $4.0 million over June 1968 shipments. January-June 1969 exports show a drop of 5 percent below the same period last year.

Canadian Heavy-Turkey Outlook

Prospective marketings of heavy turkeys during the last half of 1969 are expected to be lower than the year-earlier level, according to the July 11 Canada Department of Agriculture poultry market report.

The expected decline in marketings is a direct result of lower placements of poults for heavy-turkey production—preliminarily estimated for January-June 1969 at 7.2 million poults, down by 2 percent or 120,000 poults from the same period in 1968.

In addition, in Quebec, about 220,000 heavy-breed female poults, previously reported as placed for heavy production in the January to April period, have been raised for broilers, which will further reduce marketings of heavy hen turkeys in the main marketing season.

Retention of a larger proportion of the 1969 heavy-turkey crop as breeders for next year is likely. The 1969 turkey crop will probably decline about 10 percent from last year's level in the Prairie Provinces, but will remain about the same in Ontario and British Columbia.

Australian Cattle Numbers Rise

Cattle numbers on farms in Australia as of March 31, 1969, set a new high of 20.8 million head. This was an increase of 8.1 percent from the 19.2 million head reported on farms for 1968. The absolute annual gain of 1.6 million head from the preceding year was also the largest on record. The increase from 1967 to 1968 was only 1.0 million head.

Preliminary estimates released by the Commonwealth Bureau of Agricultural Economics placed the fiscal 1969 (July 1, 1968-June 30, 1969) slaughter at 5.6 million head, or about the same as in the two preceding fiscal years. The estimate of beef and veal production is 905,000 long tons (2,027 million pounds). Production in fiscal 1968 totaled 890,000 long tons, compared with 865,000 in 1967.

Australia Expects Record Wool Clip

The Australian Wool Brokers Council estimates 1969-70 production of Australian wool at 1,997.7 million pounds (greasy basis). If this output materializes, it would set a new record 3.0 percent above the revised figure of 1,938.7 million pounds (greasy basis) for the 1968-69 season.

Numbers on farms as of March 31, 1969, totaled a record 176.2 million head, 5.6 percent larger than the 166.9 million in 1968 and 3.2 percent above the previous high of 170.6 million in 1965.

Australian Sugarcane Crushing Delayed

The start of the 1969 sugarcane-crushing season in Australia has been seriously delayed because of heavy rains in northern Queensland districts. The mills were scheduled to begin crushing in late June and early July this year—about 2 weeks later than normal, because of increased capacity enabling them to handle larger quantities early in the season. This delay would give the farmers an opportunity to harvest cane as late as possible with consequent maximum sugar content.

However, as a result of the adverse weather conditions the early cane quality could deteriorate. A drop in sugar content could mean that returns to growers would be no better than last year's despite higher values on the export market.

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